

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

REDACTED – FOR PUBLIC INSPECTION

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
Public Notice: Wireline Competition)	DA 13-1846
Bureau Announces Availability of Version)	
3.2 of the Connect America Fund Phase II)	
Cost Model, and Illustrative Results; Seeks)	
Comment on Several Modifications for)	
Non-Contiguous Areas)	

Comments of Alaska Communications Systems

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Comments of Alaska Communications Systems

Alaska Communications Systems (“ACS”)¹ hereby submits these comments in response to the most recent Public Notice² issued by the Wireline Competition Bureau (“Bureau”) in the above-captioned proceeding. The Public Notice, among other things, seeks comment on certain modifications to the Connect America Cost Model (“CAM”) that the Bureau has directed CostQuest to incorporate in order better to reflect the circumstances of price cap carriers serving areas outside the lower 48 contiguous states. In particular, the Public Notice seeks comment on a new CAM module (“CAM v3.2”) that reflects the costs of undersea cable connectivity to Internet Access Points (“IAPs”) located in the lower 48 states.

¹ In these comments, “Alaska Communications Systems” signifies the incumbent local exchange carrier (“ILEC”) subsidiaries of Alaska Communications Systems Group, Inc., which include ACS of Alaska, LLC, ACS of Anchorage, LLC, ACS of Fairbanks, LLC, and ACS of the Northland, LLC.

² Public Notice, WC Docket No. 10-90, *Wireline Competition Bureau Announces Availability of Version 3.2 of the Connect America Fund Phase II Cost Model, and Illustrative Results; Seeks Comment on Several Modifications for Non-Contiguous Areas*, DA 13-1846 (Wireline Comp. Bur., rel. Aug. 29, 2013) (the “Public Notice”).

Summary

It is vital that the CAM provide sufficient support in Alaska and other non-CONUS areas of the nation. This can only be accomplished through the adoption of a support distribution mechanism that accurately reflects the costs of delivering voice and broadband. Unless the CAM delivers accurate results, the Commission's high cost reforms will reduce support from current levels and propel high-cost and rural areas of Alaska backward, rather than modernizing the program for the broadband age. Further, if CAF Phase II support is inadequate, the Commission's reforms not only will fail to achieve the benefits of greater and more affordable broadband availability, but will threaten the availability of voice services as well – a result that would undo the benefits of generations of investment, and run contrary to the Commission's fundamental statutory charge.³

ACS urges the Bureau to continue the process of adjusting the CAM so that it better reflects the costs of delivering voice and broadband in Alaska. Specifically, the Bureau should adjust the CAM's undersea cable module to include the cost of necessary cable spurs to serve Juneau and southeast Alaska, as well as four additional landing stations. In addition, the Bureau should develop different – and higher – cost factors to reflect the higher operating costs of undersea cables as compared to terrestrial middle mile facilities. Moreover, the CAM should allocate a larger share of undersea cable investment to voice and broadband services provided to ACS's own customers, owing to the presence of a federally subsidized broadband competitor in Alaska that offers competing undersea cable transport services using its own facilities.

³ See 47 U.S.C. §§ 151, 254(b).

ACS supports the Bureau's incorporation of ACS's forward-looking plant mix figures in the CAM, and urges the Bureau to adopt the remaining adjustments to the CAM that ACS has proposed, and grant ACS a waiver to allow it ten years, rather than five, within which to receive support and complete the required CAF Phase II build-out.

Discussion

In recent months, ACS has proposed a series of six specific changes that it believes must be made to the CAM to enable it accurately to reflect the costs of delivering broadband in Alaska, as follows:

- The CAM should accurately reflect the costs of building an undersea cable system to connect Alaska to IAPs in the lower 48 states;
- The CAM should reflect a forward-looking plant mix for Alaska that includes a higher proportion of buried and underground cable, as compared to aerial, than the baseline inputs indicate;
- The CAM should reflect the high cost of Alaska's soil conditions (be it permafrost, swamps, or hard rock) by classifying all of Alaska as "hard rock" or by setting the cost of building in other soil types equal to that of building in "hard rock";
- The CAM capital inputs should reflect a general 10 percent increase in capital costs to reflect the high cost of obtaining materials and transporting them to Alaska;
- The CAM should classify ACS as a "small" rather than "medium" sized company; and⁴
- The CAM should use a lower support threshold for ACS's service areas because ACS is subject to competition from a federally subsidized wireline (cable) broadband

⁴ *Connect America Fund*, WC Docket No. 10-90, *Ex parte* Letter from Leonard A. Steinberg and Richard R. Cameron, ACS, filed July 9, 2013 ("ACS July 9 Letter"); *Ex parte* Letter from Leonard A. Steinberg and Richard R. Cameron, ACS, filed July 30, 2013 ("ACS July 30 Letter").

provider that receives federal high-cost support across a large proportion of ACS's service areas.⁵

In addition, given the short construction season in Alaska, ACS has requested ten years, rather than five, during which to receive support and complete the required build-out.⁶

ACS appreciates the thoughtful consideration that the Bureau has given to these proposals. CAM v3.2 incorporates the updated ACS plant mix and a module intended to model the costs of the undersea cable system necessary to connect Alaska to IAPs in the lower 48 states. As a result, the CAM results show increases in both the support level and number of supported locations for ACS. These changes represent a step forward in helping the CAM deliver the broadband benefits for Alaska that the Commission hopes, both in terms of the number of locations the CAM would support, and the total amount of support ACS would receive.

There is still much work to be done, however. The CAM still far understates the amount of support necessary to build out broadband in perhaps the highest cost, most underserved, and most difficult-to-serve state in the nation. The illustrative results provided with CAM v3.2 still show Alaska receiving less than the current amount of funding with the expectation of significant additional investment. As a result, additional changes are needed to enable the CAM to produce sufficient support to spur the level of broadband deployment in Alaska that the Commission seeks in pursuing the public interest benefits of broadband under CAF Phase II. In particular, the

⁵ *Connect America Fund*, WC Docket No. 10-90, *Ex parte* Letter from Richard R. Cameron, ACS, filed Aug. 24, 2013 ("ACS August 24 Letter").

⁶ ACS July 9 Letter at 16; ACS July 30 Letter at 24.

per-location cost of undersea cable infrastructure estimated by the CAM far understates the real-world forward-looking cost, and further adjustments are needed to the allocation factors, cost factors, and other inputs. In addition the Bureau should direct CostQuest to incorporate into the CAM the other changes ACS has proposed. These changes, no less than the undersea cable and plant mix data, are needed in order to produce sufficient CAF Phase II support for Alaska.

I. The Undersea Cable Module Understates ACS's Per-Location Cost of Voice and Broadband Connectivity to IAPs in the Lower 48 States

The Public Notice seeks comment on a number of issues surrounding “CAM v3.2’s approach to connecting the non-contiguous areas to the contiguous United States.”⁷ ACS agrees with the Bureau’s approach to determining whether an insular carrier would construct an undersea cable system or lease capacity on existing cable, insofar as ACS agrees with the Bureau’s conclusion that ACS was required to construct cables to serve Alaska.⁸ Unlike other insular areas, Alaska is not served by international undersea cable systems with available capacity to carry broadband traffic. When ACS began carrying Internet access traffic, the only submarine cables serving Alaska were built for and consumed by *Alaska* voice and data traffic, not as part of larger interstate and international networks. Further, unlike international transoceanic cable systems, which are frequently operated by consortia of carriers or others that do not participate directly in the local telecommunications market within the state, these Alaska cables were owned by ACS’s direct market competitor, which faces no economic or business

⁷ Public Notice at 3.

⁸ Public Notice at 4.

incentive to provide access to ACS and acknowledges no regulatory obligation to do so. ACS was therefore required to construct dedicated undersea fiber optic cable capacity between Alaska and the lower 48 states.

On July 9, 2013, ACS submitted detailed information regarding the cost it recently incurred to construct the AKORN undersea cable, completed in 2009, between Anchorage and Florence, Oregon, as well as the results of ACS's modeling of the per-location cost of undersea cable transport between customer locations in Alaska and IAPs in the lower 48 states.⁹ The ACS undersea cable model, previously filed in this docket and subsequently updated to reflect the Bureau's most recent modeling assumptions, indicates that the per-location costs of undersea cable connectivity for ACS's customers ranges from

[REDACTED]

. In contrast, CAM v3.2, using the Bureau's proposed assumptions, produces a statewide average of \$5.40 per customer locations for ACS.¹⁰

ACS has identified three primary reasons for the discrepancy, and requests that the Bureau adjust the methodology for calculating the per-location costs of undersea cable connectivity in Alaska, as discussed below.

⁹ ACS July 9 Letter at 12 and Exhibit C.

¹⁰ Public Notice at 7 (Table 4).

A. The CAM Should Reflect the Cost of Connecting *All* of Alaska to IAPs in the Lower 48, including the Necessary Spurs and Landing Stations in Juneau

The Bureau seeks comment on, among other issues, the “specific endpoints of the undersea cables . . . marked on the maps” and the “footage estimates in Table 1,” showing the combined length of two Alaska cables at 21,206,745 feet, as well as the CAM’s assumption that the cost per foot of undersea cable is \$11.05.¹¹

ACS believes that these figures should be higher. The CAM currently models an undersea cable system that connects Anchorage to IAPs in Washington and Oregon via two undersea cables and four landing stations, two each in Alaska and two in the lower 48 states. The CAM, therefore, understates the number of landing stations and the amount of undersea cable required to serve Alaska. Specifically, because of the topography, terrain, and constraints imposed by the political boundary of the Canadian border, it is impossible to construct a terrestrial middle mile network to reach Juneau and southeast Alaska from the northern landing point of the cable in Anchorage. Southeast Alaska is composed chiefly of islands, with rocky, sharply uneven terrain, glaciers, and mountains. There are no roads connecting Juneau, the state capital, with any other points in North America, including Anchorage, Alaska’s largest city and economic hub where the CAM projects the undersea cables to land.

Rather, this connectivity requires additional spurs from the main north-south cables to connect southeastern Alaska directly to IAPs in the lower 48, as well as Anchorage and the rest of the state. These spurs necessitate additional undersea cable footage – approximately 1.4

¹¹ Public Notice at 3-4.

million additional feet for each spur – as well as costly branching units on the ocean floor. In addition, the CAM should incorporate the cost of two additional landing stations located in Juneau, one for each cable.

In addition to the Juneau spurs, a further two landing stations are required at locations on the Kenai Peninsula, south of Anchorage. The map attached to the Public Notice shows undersea cables rounding the peninsula, and proceeding up the Cook Inlet to landing stations near Anchorage. This routing is impossible to achieve. *First*, Cook Inlet is a hub of oil and gas activity, crisscrossed by numerous pipelines. The undersea cables cannot be laid across these pipelines, making it literally impossible to identify any suitable routing. *Second*, even putting these manmade obstacles aside, the Cook Inlet is subject to severe tides, currents and winter ice scouring, with the result that undersea telecommunications cables laid there could be at risk for damage or destruction. Rather, the most economical and reliable route to Anchorage – and the one ACS chose for AKORN – is to land the cable on the seaward end of the Kenai Peninsula and to construct terrestrial fiber fifty miles up the peninsula to a point nearer Anchorage, where the cable must re-enter the water to cross Turnagain Arm. This routing, however, requires two additional landing stations, one at each end of the peninsula – ACS chose Homer and Nikiski, Alaska – to detour around the Cook Inlet pipelines.

All told, therefore, Alaska requires a total of eight landing stations, not four, for its cables. Indeed, ACS operates seven landing stations today, only because there is only one in

Juneau; a redundant spur has not yet been built. The costs of these landing stations, in the aggregate, far exceed the estimates the Commission used in the CAM undersea cable module.¹²

B. The CAM Should Use Higher Cost Factors Developed Specifically to Reflect the Costs of Operating an Undersea Cable

As the Bureau observes, “the adjustments in CAM v3.2 are somewhat different than the adjustments that ACS and PRTC proposed. For example, ACS argues that the total annual cost factor for the submarine cable should be higher than what is incorporated in v3.2.”¹³ ACS’s July 30, 2013 *ex parte* letter included operating cost data demonstrating that the operating costs of its undersea cables are comparable to those of terrestrial middle mile transport.¹⁴ As ACS explained, undersea cables require planning for extremely high-cost operating events, such as marine maintenance, periodic inspection, and repair activities not required for terrestrial fiber routes. While undersea cables avoid some costs associated with operating and maintaining terrestrial transport facilities, they incur different and even larger costs associated with the marine environment. To operate its cables, ACS, for example, must maintain a dedicated, highly-skilled workforce to support the cables, and pay in excess of \$1 million per year for *standby* access to a ship with the capability to perform timely repairs to the cable in the event it is cut or otherwise damaged; this cost is in addition to the substantially larger cost of actually performing such a repair if it were needed. In addition, ACS pays dues to the Oregon Fishermen’s Cable Committee, in order to fund compensation to commercial fishermen for nets

¹² ACS July 9 Letter at Exhibit C.

¹³ Public Notice at 2, n.3 (carryover text).

¹⁴ ACS July 30 Letter at 23-24.

and other gear that may get caught on undersea cables. ACS must also perform burial inspections five years after commissioning its undersea cable and every eight years after that, typically completed by expensive remote-operated submersible vehicles.

Based on its actual recent experience operating the AKORN cable, ACS estimates its undersea cable cost factor at **[REDACTED]**

. Highly Confidential Attachment A to these Comments shows the calculation of ACS's estimated aggregate Annual Cost Factor for Undersea Cable. Attachment A shows the derivation of the components of the ACS aggregate factor including capital cost, maintenance, network operations, and the like. ACS requests that this estimated aggregate Annual Cost Factor be incorporated into the CAM – there is no basis to assume that the Annual Cost Factor for undersea cable should mimic that applicable to terrestrial middle mile facilities. The requested change can be made by adjusting the cost factors applicable to the undersea cable investments and adding an additional category to the OPEX input file.

These considerations notwithstanding, CAM v3.2 produces an annual cost factor of

[REDACTED]

Table 1 below shows the calculation of the **[REDACTED]** factor from data provided in CAM v3.2 and the Public Notice.

Table 1

[REDACTED]

These data illustrate two difficulties. First, the operating cost characteristics of ACS's undersea cables cannot be assumed be identical to terrestrial middle mile cable and are substantially more expensive than the average of its network as a whole, while the CAM projects that they are among the cheapest. Second, the CAM figures substantially understate the actual annual costs of the cable by about one-third, as compared to ACS's actual experience.

Part of this problem can be solved by reclassifying ACS as a small company for purposes of the CAM, rather than using its current classification as a medium sized company, which, as ACS discusses below, is critical to ensure that the CAM accurately estimates the CAF Phase II support Alaska needs. Doing so would increase the overall average cost factor that the CAM applies to ACS to **[REDACTED]**

, which is much more in line with ACS's overall operating costs. That change alone, however, would not correct the CAM's substantial understatement of ACS's costs relating to its undersea cables.

C. The CAM Should Allocate a Greater Portion of the Costs of the Undersea Cable System to ACS Customer Locations

CAM v3.2 allocates total cable investment in Alaska in two ways. First, consistent with its treatment of terrestrial middle mile networks, it allocates 50 percent of the cost to voice and broadband service, and 50 percent to other services, such as special access and wireless backhaul, that do not contribute to the cost of delivering residential voice and broadband. Second, the CAM allocates the cost of the cable across all customer locations in Alaska, not solely ACS customers. Because ACS serves roughly 67 percent of the customer locations in Alaska, the CAM allocates roughly 67 percent of the cost of the voice and broadband portion of the cable to ACS. Table 2 below shows the relationship between model estimated total undersea cable investment and the amount allocated to ACS.

Table 2

[REDACTED]

As a result, only roughly 34 percent of the overall cable cost is allocated to ACS's delivery of CAF Phase II voice and broadband services to its own customers, which is then divided among ACS customers using an optimistic 80 percent take rate, producing the \$5.40 per location estimate reflected in the Public Notice. The net result, therefore, is that too little of the undersea cable cost is "counted" for purposes of assessing the cost of delivering CAF Phase II voice and broadband to ACS customers.

That 34 percent portion of ACS's undersea cable costs is too small to reflect market conditions in Alaska. The assumption underlying these allocation factors is that ACS will be able to recover 66 percent of the cost of its undersea cable system from other sources. Uniquely, however, ACS faces the presence in Alaska of a federally subsidized wireline broadband provider, GCI, that offers competing voice and broadband services using its cable plant across a substantial majority of ACS's service area. GCI has self-provisioned its own undersea cables, and offers undersea cable connectivity to third parties in competition with ACS.¹⁵ Given the presence of GCI as a competing provider of undersea cable transport services, it is plain that ACS will be unable to capture the level of non-broadband and non-ACS traffic the Bureau proposes.

Thus, for the same reasons that ACS believes that the Commission should utilize a lower support threshold for ACS service areas in Alaska, the CAM should allocate a greater portion of the costs of ACS's undersea cable to broadband services ACS provides to its own customers. A

¹⁵ As discussed above, because GCI operates in direct retail competition with ACS, and formerly had monopoly control of the undersea cables serving Alaska, ACS was unable to gain access to its undersea cables at economically reasonable rates and, therefore, was required to build its own undersea cables.

substantial portion of the voice and broadband traffic generated by other Alaska ILECs, as well as undersea cable usage by services other than voice and broadband, will inevitably be carried by GCI over its cables. The existence of this competing facility, therefore, will increase the proportion of ACS-generated voice and broadband traffic present on the ACS undersea cable system reflected in the CAM.

ACS proposes that the CAM should *not* assume that the cable owned by ACS carries 100 percent of the traffic between Alaska and the lower 48 states. The market reality is that, as a result of the competitive pressures on ACS and GCI, ACS has been unable to gain access to capacity on GCI's submarine cables on economically reasonable terms, nor does GCI acknowledge any regulatory obligation to provide such access. As a result, while the Bureau properly does not recognize GCI's cables as viable alternatives to constructing a separate cable for ACS, the CAM should take into account the real-world presence of GCI's cables when allocating the cost of ACS's cable system among its various potential uses. Specifically, the model should assume that ACS and GCI will split the traffic other than voice and broadband services delivered to ACS's own customers, *i.e.* voice and broadband traffic generated by other providers, as well as additional services, such as special access and wireless backhaul that are not included in the CAM, as follows:

Table 3

CAM v3.2 Model for Submarine Cable Cost Allocation			
		Carried by ACS	Carried by GCI
Voice & Broadband - All Alaska Traffic	50% (A)		
Approx. locations in Alaska served by ACS	67% (B)	34% (C=A*B)	--
Approx. locations served by other ILECs	33% (D=1-B)	16.5% (E=A*D)	--

Other Services (Special Access, Wireless backhaul, etc) – portion of all Alaska Traffic	50% (F)		
Other Services Traffic – carried by ACS		50% (G=F)	--
Overall Portion of traffic carried		100% (H=C+E+G)	0% (J)
Submarine Cable cost allocated to ACS voice and broadband services, eligible for CAF Phase II support		34% (C)	--
Submarine Cable cost allocated for Other Services: Hence assumed to be self funded **		66.5% (K=E+G)	0% (J)
Share of Alaska traffic assumed to be carried by the ACS undersea cable system included in the CAM, and therefore eligible for funding by CAF Phase II program to support Voice & Broadband deployment ***		34% (C÷H)	NA

Table 4

ACS Proposed Modifications to Model for Submarine Cable Cost Allocation			
		Carried by ACS	Carried by GCI
Voice & Broadband - All Alaska Traffic	50% (A)		
Approx. locations in Alaska served by ACS	67% (B)	33.5% (C=A*B)	--
Approx. locations served by other ILECs	33% (D=1-B)	8.25% (E=A*D÷2)	8.25% (E=A*D÷2)
Other Services (Special Access, Wireless backhaul, etc) - All Alaska Traffic	50% (F)		
Other Services Traffic - split equally between ACS and GCI		25.00% (G=F÷2)	25.00% (G=F÷2)
Overall Portion of traffic carried		66.75% (H=C+E+G)	33.25% (J=E+G)
Voice and Broadband traffic allocated to ACS voice and broadband services, eligible for CAF Phase II support		33.5% (C)	--
Submarine Cable cost allocated for Other Services: Hence assumed to be self funded **		33.25% (K=E+G)	33.25% (J=E+G)
Share of Alaska traffic assumed to be carried by the ACS undersea cable system included in the CAM, and therefore eligible for funding by CAF Phase II program to support Voice & Broadband deployment ***		50.19% (C÷H)	NA

** ACS proposed modification assumes that all traffic other than voice and broadband delivered to ACS's own customers through services are split evenly between ACS and GCI (a conservative estimate, since GCI currently is the market share leader)

*** Consequently, ACS proposed modification allocates this portion of the cable cost towards funding by the CAF program - a much more reasonable outcome compared to the 35% allocation as currently proposed in CAM v3.2

ACS's calculations, summarized in Table 4, indicate that just over 50 percent of the cost of the undersea cable system – not 34 percent – should be allocated to ACS to delivery of voice and broadband to its own customers. Currently, the model allocates 33 percent of the costs of the cable to other ILEC voice and broadband services, and 50 percent of the remainder to services other than voice and broadband. Allocating these equally between ACS and GCI would change the model's assumption that ACS carries 100 percent of the traffic because GCI would carry a portion of the traffic, as follows: GCI would be assumed to carry half of the 50 percentage points allocated to non-voice or broadband services – *i.e.*, 25 percent of the overall traffic. The CAM currently allocates the other half of the traffic, representing broadband traffic, based on customer locations, with the result that 67 percent of that portion – 33.5 percentage points overall – counts toward the cost of ACS voice and broadband services. ACS proposes that the CAM assume that the remaining 16.5 percentage points – representing voice and broadband services provided by other ILECs – are carried in equal parts by ACS and GCI, with the result that GCI carries an additional 8.25 percentage points of the traffic. Thus overall, GCI would be assumed to carry 33.25 percent of the overall Alaska traffic over its own cable system, while ACS carries the remaining 66.75 percent. The 33.5 percentage points of the overall

undersea cable costs that the CAM currently allocates to ACS voice and broadband traffic represents just over half of this 66.75 percent portion (*i.e.*, $33.5 \div 66.75 = 50.19$ percent).

II. ACS Supports the Use of its Forward-Looking Plant Mix Figures in the CAM

ACS welcomes the use in CAM v3.2 of the forward-looking plant mix figures it has proposed. In the Public Notice, the Bureau seeks comment on whether to make any adjustments to these figures in light of ACS's current plant mix.¹⁶

ACS believes that the forward-looking figures it has proposed best reflect the CAM's use of fiber-to-the-premises ("FTTP") architecture as part of an all-fiber network. As ACS has explained, the plant mix figures it proposes reflect its best estimate of the plant mix that would result using the green-field FTTP framework of the CAM. ACS's plant mix figures are derived from its recent building experience, its analysis of the differences between the plant mix of its fiber and copper facilities among the various types of plant and density areas of the state, and its expectations based on the evolving legal and political environment. In this respect, ACS's figures were shaped by its dependence on electric utility decisions regarding undergrounding, as well as the Anchorage ordinance prohibiting new aerial construction in large portions of Anchorage, as well as the emergence of strong and vocal community preferences for the improved reliability and aesthetics of underground and buried plant.

ACS therefore requests that the Commission incorporate its proposed plant mix figures for Alaska into the CAM as they are reflected in the Public Notice.

¹⁶ Public Notice at 8.

III. The CAM Should Incorporate the Remaining Changes ACS Has Proposed

In addition to the undersea cable and plant mix changes, ACS has proposed that the CAM (1) classify ACS as a “small” carrier; (2) use the cost of constructing plant in “hard rock” everywhere in Alaska, because that cost best reflects the costs ACS incurs, even in areas where marshy wetlands and permafrost conditions prevail; (3) incorporate a 10 percent increase in the CAM’s baseline capital cost inputs to reflect the higher costs of purchasing capital equipment and transporting and deploying it in Alaska; and (4) use a lower support threshold for ACS’s service areas in Alaska, due to the presence of a federally subsidized wireline voice and broadband competitor across a majority of ACS’s service area. In addition, ACS has requested a waiver to allow it 10 years, rather than five, in which to receive CAF Phase II support and complete the required buildout. The Public Notice indicates that the Bureau is continuing to evaluate those proposals.¹⁷

It is vital for Alaska that the Bureau adopt these changes to the CAM and grant the waiver ACS seeks. As ACS has explained in its earlier filings,¹⁸ these changes, no less than the ones already incorporated into the CAM, are essential if the CAM is accurately to reflect the cost of delivering voice and broadband services to ACS’s customers thereby providing sufficient support levels to ensure universal availability of broadband service. Without these changes, the Commission’s CAF Phase II policy goals for Alaska will be severely threatened. Today, the CAM leaves tens of thousands of ACS customers to be served from the remote areas fund

¹⁷ Public Notice at 8.

¹⁸ See generally ACS July 9 Letter, ACS July 30 Letter, ACS August 24 Letter.

(“RAF”), and ACS estimates that it would require over \$100 million – the entire RAF budget – to serve them with terrestrial broadband services. These figures would not even account for customers in RAF areas of Alaska served by other carriers, let alone any RAF customers in other parts of the nation. With ViaSat’s Exede consumer broadband satellite service unavailable in the vast majority of the Alaska bush, terrestrial voice and broadband services will be critical to those areas. Thus, to achieve the Commission’s broadband policy goals in Alaska, the Bureau must ensure that CAF Phase II provides sufficient support to as many high-cost customers in Alaska as possible.

CAM v3.2 would support roughly 56,000 customer locations in Alaska, representing an increase from past versions of the CAM. Still, this result falls far short of the number of locations that ACS could serve using CAF Phase II support if the Bureau adopts its additional proposed adjustments to the CAM. Without sufficient support, thousands of customers across Alaska face the possible loss even of existing voice service, let alone access to broadband. With the changes that ACS proposes, however, CAF Phase II could transform Alaska from one of the states most underserved by broadband into a model for the success of the Commission’s broadband policies.

Conclusion

For the foregoing reasons, ACS urges the Bureau (1) to modify the calculation of undersea cable costs in the CAM, including the facilities needed to serve southeast Alaska, the cost factors applicable to the cables, and the allocation of those costs among services, as discussed herein; (2) to adopt the plant mix figures proposed by ACS; (3) to incorporate into the

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CAM the remaining changes ACS has proposed; and (4) to grant ACS a waiver to permit it 10 years, rather than five, in which to receive support and complete the required CAF Phase II build-out.

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